

Country strategy

Iraq

Simplified country strategy for Swedish development cooperation with Iraq

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REGERINGSKANSLIET

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Simplified country strategy for Swedish development cooperation with Iraq

Contents

1. Summary
2. Conclusions from Sida's Country Analysis
3. Conclusions from Sida's Experience Analysis
4. Priorities in Iraq
5. Other donors
6. Strategy for the period 2004-2006
 - 6.1. Development cooperation goals
 - 6.2. General considerations
 - 6.3. Starting points and guiding principles
 - 6.4. Areas of cooperation
 - 6.5. The future development cooperation
7. Budget framework and administration
 - 7.1 Proposed budget framework
 - 7.2 Capacity for preparation and follow-up

1. Summary

The following goals for development cooperation with Iraq are given priority in this simplified country strategy for Iraq for the period 2004 - 2006:

- to promote a peaceful development towards a democratic state governed by law where human rights are respected
- to support an economic recovery focused on growth and benefiting poor groups
- to lay the foundation for a broad collaboration between Sweden and Iraq

Improvement in the security situation is essential for effective international support for the reconstruction of Iraq. This applies both to bilateral inputs as well as inputs channelled through multilateral instruments. This combined with uncertainty about the establishment of a legitimate Iraqi government and a security situation that will probably continue to cause concern means that considerable flexibility is required in the framing of the Swedish undertakings in Iraq.

There are extensive needs for reconstruction in Iraq. According to the UN, there are still humanitarian needs in Iraq in certain areas. It is important that the humanitarian needs are met at the same time as a start is made on rebuilding of Iraqi society. Swedish humanitarian assistance to Iraq is only to be used for humanitarian activities – saving life and alleviating need.

It is proposed that the main areas for development cooperation should be democracy and human rights and the infrastructure.

A substantial part of the assistance should be channelled through multilateral organisations, primarily via the International Reconstruction Fund Facility for Iraq (IRFFI). This facility aims at promoting good coordination between the international donors and the Iraq government and strengthening Iraqi ownership of the reconstruction process.

Within the framework of the international donor coordination, the Swedish assistance actors should transfer knowledge to Sweden on the ongoing reconstruction work in Iraq.

Sweden should promote the development of a well-functioning market economy, which also enables Swedish businesses to operate in Iraq.

Bilateral cooperation should also be initiated based on the Iraqi reconstruction needs. A suitable sector for bilateral collaboration is the infrastructure, which is one of the areas the UN/the World Bank has given priority to. Swedish companies have leading edge expertise within this field and have previous experience of business in the country, which should be made use of. Other sectors should also be considered, however, for Swedish undertakings.

In order to promote respect for human rights, increased democratisation and women's rights, assistance should be given to *the civil society*. Parallel with assistance to the Iraqi government in these areas, the Swedish assistance should go to individual organisations active in the country.

The experiences of the Swedish business sector and the knowledge of exile Iraqis should be made use of in future reconstruction work.

Balance track between the bilateral and multilateral undertakings may need to be re-evaluated in the light of the development of the political process and the security situation. An endeavour therefore should be made for regular consultation to take place between Sida and the Government Offices.

Consideration should be given to an official Swedish presence in the event of an increased presence of multilateral organisations in Iraq and/or increased Swedish bilateral undertakings when the security situation improves.

Provided that the situation is normalised, it is not anticipated that there will be large-scale assistance to Iraq after the period of direct reconstruction.

It is proposed that the framework for Swedish development cooperation with Iraq in the period 2004-2006 be SEK 300-400 million, including the humanitarian assistance.

2. Conclusions from Sida's Country Analysis

Iraq's modern history is characterised to a great extent by conflict and violence. Saddam Hussein ruled with an iron hand for over thirty years, with the support of his own *Tikriti*-clan. There were many serious violations of human rights. War and sanctions impoverished the domestic economy and groups from Saddam's clan and other allies were favoured at the expense of the needs of the population.

In March 2003, the United States and its allies initiated an attack against Saddam Hussein's regime. In early May 2003, the USA declared that they had ceased major military operations. The occupying powers are responsible under international law for maintaining law and order and taking care of the population. The coalition's civil authority, *Coalition Provisional Authority* (CPA), is the supreme administrative power in the country. CPA has appointed a provisional governing council, the *Governing Council* (GC), consisting of 25 representatives from different ethnic and religious groups in Iraq. The CPA and the GC have been recognised by the UN Security Council. CPA and GC have presented a timetable for the drafting of a new constitution, handover of sovereignty to Iraq, and for holding general elections. On 8 March 2004, the Governing Council adopted a provisional constitution (Temporary Administrative Law, TAL) which stipulates among other things that Iraq's independence will be restored on 30 June – and that the occupation will then cease and that general elections to parliament will be held at the latest in January 2005. After independence and until the elections, the country is to be governed by an interim government.

Although Iraq has large natural assets, in particular oil, there are substantial needs at present. From having been a medium-income country, GDP per capita has decreased to USD 570-760, which is among the lowest figures in the whole of the Middle East. The country's infrastructure has been damaged after several wars and has been worn out by neglected maintenance, which, among other things, has led to insufficient access to clean water and electricity. Agricultural production has been badly disrupted

by the international sanctions and the import of food under the oil-for-food programme (OFF).

The business sector has been damaged and partly paralysed by excessive state regulation and by the sanctions that prevented all foreign trade (except export of oil and import of food). Rehabilitation of the physical and financial infrastructure and the introduction of sound rules of play for the private sector are prerequisites for normalisation of the business sector.

Management of Iraq's substantial foreign debt is essential to restore the country's creditworthiness and access to loans on the international finance markets. The need for assistance should be substantially reduced within a few years if this issue can be dealt with effectively and the situation in the country otherwise normalised. In the light of this, large-scale development cooperation should be planned with a relatively short time horizon, approximately 3-5 years. There should be a readiness for a longer time perspective if important components of normalisation are delayed.

The Iraqi population has undergone extensive urbanisation in the past 30 years and there has been a marked increase in the proportion of poor people in the towns. Unemployment is at a high level throughout the country, which has resulted in many families being dependent to an increased extent on social networks within the clan. Women and children are particularly vulnerable. Maternal and infant mortality have both increased substantially. The deterioration in the security situation has led to many women being exposed to violence and threats to an increased extent.

Ethnic and religious groups, who had no influence during Saddam Hussein's period of power have been exposed to very brutal assaults from the authorities on various occasions. It is difficult to assess how the tensions between different groups, which were created or suppressed during the time of the Saddam regime, will be expressed in future. Development cooperation should be attentive to discriminatory trends and participate in dialogue to counteract this.

The Iraqi administration is badly damaged. Physical reconstruction as well as reforms based on the principles of democracy and market economy are necessary. The judicial system also needs to be reformed, among other things to create independent courts. The relationship between the modern and traditional legal tradition, the sharia, needs to be reviewed. The current legislation does not reflect the conventions on human rights.

Before the period of sanctions, Iraq had fairly well developed public institutions. There is still good access to relatively well-trained personnel. However, many older officials have worked under the strict rules of the former regime and may find it difficult to adapt to new methods of work. The Iraqi diaspora has in many cases considerable knowledge in a number of areas, which, to the extent that Iraqi exiles return, will benefit the country. However, it is difficult to judge how badly the institutional structure has been damaged by the regimentation and isolation over a couple of decades. In this area as well, development cooperation must be designed in such a way that it can subsequently be adapted according to experience.

The growth of an independent and democratic civil society that bridges over the clan structures and where people are guaranteed their human rights to organise and act

together for common interests is very important for future development. Assistance from the surrounding world will also be very important here, in particular in the short-term. Exile Iraqis who have learned about and been inspired by experiences relating to the role of the civil society in other countries can play an important role here.

The issue of reconciliation is of key importance for the development towards a democratic Iraq. Innumerable violations of human rights have been committed. After Saddam's fall, a number of mass graves have been discovered. Associated with this issue is the question of how to deal with the Iraqi cultural heritage, which is not only about conservation and use of historically important sites but also on how to deal with modern history and in particular the inheritance after Saddam Hussein. New media have been established in Iraq, although there is a considerable need for laws, regulatory frameworks and education and training to promote an independent scrutiny of those in power in Iraq.

The Country Analysis indicates great needs in every area. It is difficult to define priorities but these should include measures to stabilise the situation in the country (democracy, human rights, the rule of law, equal opportunities and reconciliation) and measures to create the prerequisites for business and the rest of society to move forward under its own steam and with its own dynamic (rehabilitation of infrastructure, financial structures and the creation of stable rules of play for the business sector).

Geographically different parts of the country have been affected to a varying extent at different times. The Kurdish areas were for a long time among the worst affected, but have been able to carry out reconstruction to some extent in recent years. Environmental damage seems to have been particularly great in the marsh areas in the south. There are substantial pockets of poverty in the rapidly growing cities and in areas along the border with Iran. It is difficult in the present situation to make any definite statement about certain regions being affected worse than others. Donor coordination under Iraqi leadership will be very important to ensure reasonable geographical priorities.

The country's absorption and coordination ability will be severely tested. The need for donor coordination and limitation of the number of actors, in total and within each sector, will then be a key issue as well as the rapid build-up of an Iraqi capacity to make correct priorities.

A prerequisite for a positive development of the Iraqi economy is a solution of the country's large foreign debt. A renegotiation of the debt is required to enable Iraq to eventually be able to raise new loans on the international market. Everything indicates that there will be a need for a write-off, which is also being pursued very energetically by the United States. Decisions on the extent of any such debt write-off and other conditions must wait for the IMF's analysis and the formation of an Iraqi government, which can make long-term commitments.

The development of the security situation is crucial for Iraq's future. An improved security situation is a prerequisite for the humanitarian work and for effective development cooperation.

3. Conclusions from Sida's Experience Analysis

Sweden has provided humanitarian assistance to Iraq since the Gulf War in 1991. Since 1996, the undertakings have concentrated on complementing the OFF-programme, primarily by assistance to nutrition undertakings and health care for vulnerable groups, and undertakings to improve access to clean water and mine action. During 2000, a gradual redistribution of undertakings from northern and southern to central Iraq took place where the humanitarian situation was most difficult. Assistance was provided to UNICEF, ICRC, the Swedish Red Cross (SRK)/IFRC and CARE, Caritas, Qandil and the Mines Advisory Group (MAG). Several of the organisations had a very large component of Iraqi staff. An analysis of performance in connection with previous government assignments in 2002 showed good competence and a high degree of goal fulfilment among the cooperation organisations.

In connection with the war in spring 2003 Sweden contributed to a build-up of a humanitarian preparedness within UN and through SRK/IFRC in the neighbouring countries, and by financing health care and mine action undertakings after open hostilities had ceased. The UN humanitarian appeal for Iraq of over USD 2.2 billion was one of the largest ever, but was based on a scenario with major refugee movements that never happened. The deterioration in the security situation has made it increasingly difficult to carry out humanitarian work, at the same time as several of the Swedish-assisted organisations with a large proportion of Iraqi staff have been able to continue their work.

From having been one of the biggest bilateral humanitarian donors for many years, with grants totalling SEK 145 million in 2000-2002, Sweden is a considerably smaller donor in relation to many other countries, despite an increase in the grant in 2003.

The overall experience obtained shows the importance of local ties, local ownership and knowledge about the situation in Iraq to carry out undertakings effectively.

4. Priorities in Iraq

At a donor conference in Madrid in October 2003, the UN and the World Bank presented a common needs analysis for the next four-year period, 2004-2007. The analysis covered 14 different sectors and three cross-sector issues.¹ The costs of the reconstruction needs is expected to total USD 36 billion for the whole four-period period, of which USD 9 billion for 2004 alone. These figures include physical reconstruction, assistance for education and training, advice and consultancies, and costs for operation and maintenance directly related to the reconstruction work.

¹ The analysis dealt with the following sectors: education and training; health; employment promotion measures; water and sanitation, transport and telecommunications; electricity; housing and land issues; city planning; agriculture, water resources and food security; financial infrastructure; state-owned enterprises; the investment climate; mine clearance; and government functions. Theme areas were human rights, equal opportunities and environmental issues.

In addition to the estimated costs in the needs analysis, there are current costs (wages, etc.) for the Iraqi public administration. These costs estimated at USD 12 billion for 2004 are expected to be covered by the Iraqi budget through domestic income, mainly customs and oil revenue.

The occupying power moreover estimates an additional USD 20 billion for investments in the oil industry and for the security apparatus during 2004-2007.

The total public expenditure for 2004 would thus amount to USD 26 billion.

The needs analysis of the UN and the World Bank is very comprehensive but does not make clear priorities between sectors.

5. Other donors

At the donor conference in Madrid, where 72 countries, 20 international organisations and 13 NGOs were represented, assistance of USD 33 billion was pledged. However, it is not clear for exactly which time period these funds were to be made available and what consists of grants or loans. The need for grants is expected to decrease considerably in the next four-year period apace with the recovery of the Iraqi economy and the oil industry and through an increased inflow of private investments.

USA and Japan promised the largest grants in Madrid, USD 20 billion and USD 5 billion respectively. Other countries with large grants included Kuwait, the United Kingdom, Canada, Spain and Italy. The EU Commission promised assistance of over USD 235 million, of which the major part was intended for undertakings in the health and educational sectors. Norway and Denmark promised grants of USD 63 million and USD 55 million respectively.

It is still very uncertain how the different donor grants will be allocated between different sectors. A more careful examination of the donor situation should be made when preparing new undertakings.

6. Strategy for the period 2004-2006

6.1. Development cooperation goals

The overarching goal for Swedish development cooperation is to contribute to creating the conditions for poor people to raise their standard of living. This requires not least the development of a society based on the principles of a state governed by law with democratic and independent institutions, respect for human rights and equal opportunities.

Primarily due to Iraq's large oil assets, which should generate substantial government revenue in time, Iraq is not a partner country in the classical sense. Iraq's economic system has, however, been largely based on a planned economy. The country's efforts to reform the economy are reminiscent of the challenges faced by Central and Eastern Europe in the early 1990s. The Swedish undertakings should therefore also strengthen the prospects for a well-functioning market economy.

Within the framework of the overarching goal and with reference to the rights perspective and to the perspective of poor people on development, the following goals are prioritised for development cooperation with Iraq:

- to promote a peaceful development towards a democratic state governed by law where human rights are respected
- to support economic recovery focused on growth that favours poor groups
- to lay the foundation for broad cooperation between Sweden and Iraq

6.2. General considerations

6.2.1. Prerequisites for development cooperation

Iraq is a country with substantial natural assets, in particular oil. It must therefore be considered as less probable that Iraq will need assistance undertakings of any greater extent in the medium term, if development can be guided towards peaceful paths. Provided that the situation is normalised, it is not anticipated that Iraq will receive large-scale assistance after the period of direct reconstruction.

The international reconstruction undertakings are expected to be exceptionally large, based on the commitments made at the donor conference in Madrid. The Swedish assistance to Iraq during the reconstruction period will be limited both in relation to the considerable needs and in relation to other donors. The Swedish support should therefore be concentrated on a few areas for the greatest possible effect.

An improved security situation is a prerequisite for effective international assistance to the reconstruction of Iraq. This applies both to the bilateral undertakings as well as undertakings channelled through multilateral instruments. This combined with uncertainty about the establishment of a legitimate Iraqi government and a security situation that will probably continue to cause concern means that considerable flexibility is required in the framing of Swedish undertakings in Iraq. It is consequently difficult in the present situation and not even desirable to establish the focus of the undertakings in too great detail.

It may be necessary to re-evaluate the balance struck between the bilateral and multilateral undertakings in the light of the development of the political process and security situation. An endeavour should be made for regular consultation to take place between Sida and the Government Offices.

When planning assistance undertakings, Sida should take into consideration different future scenarios, in particular due to the security situation and Iraq's uncertain political future. In the event of an improvement in the security situation and a stable political situation, increased resources can also be channelled bilaterally. This also assumes a Swedish presence in Iraq.

6.2.2. Channels for development cooperation

The humanitarian assistance has operated for a number of years through well-developed channels such as UN bodies, international NGOs and Swedish NGOs. These different actors have considerable experience of operating in Iraq through developed local structures with Iraqi personnel. When deemed appropriate the humanitarian assistance should go through these channels.

A strong multilateral framework for the international assistance undertakings facilitates the reconstruction of Iraq. The limited capacity of the Iraqi administration also argues for the need for the international assistance to be primarily channelled and coordinated multilaterally.

Swedish development cooperation should therefore be channelled, inter alia, through multilateral organisations and the mechanisms specially created for the coordination of assistance to Iraq. Sweden therefore intends to allocate at least USD 10 million to the *International Reconstruction Fund Facility for Iraq* (IRFFI). The size of the amount has resulted in Sweden being given a seat on the facility's steering committee.

Within the framework of the international donor coordination, the Swedish assistance actors should bring knowledge back to Sweden including voluntary organisations, the Iraqi diaspora and Swedish companies – about the ongoing reconstruction work in Iraq.

In order to promote respect for human rights, increased democratisation and women's rights, assistance should be given to *the civil society*. In parallel with assistance to the Iraqi government in these areas, the Swedish assistance should go to NGOs operating in the country.

6.2.3. Dialogue issues within the framework of development cooperation

In the past ten-year period, Sweden has been one of the largest donors of humanitarian assistance to Iraq. Swedish companies and organisations have operated in Iraq for many years with a good reputation. Many people live in Sweden who have an Iraqi background have contributed to creating a positive picture of Sweden in Iraq.

Within the framework of development cooperation and international donor coordination, Sweden should promote an active dialogue around Swedish core issues such as good governance, human rights with special emphasis on the rights of women and children, equal opportunities issues, vulnerable groups, the role of civil society, ownership issues and other issues emphasised within the respective area of cooperation (see 6.4. below).

The Swedish resource base, including the Iraqi diaspora is an important asset to underpin the Swedish positions in the context of dialogue.

6.2.4. Coordination with the country's authorities

The authority of the coalition occupying power, CPA, has been recognised by the UN Security Council ("recognizing the specific authorities, responsibilities and obligations under applicable international law of these states [US/UK] as occupying powers", resolution 1483). The *Governing Council* has been recognised by the Security Council as a provisional representative body ("embodies the sovereignty of the State of Iraq during the transitional period", resolution 1511).

According to the transitional constitution (TAL) that the members of the *Governing Council* signed on 8 March, the occupation will formally cease on 1 July and the Iraqi sovereignty will be handed over to an interim government. The composition of this interim government is at present unclear, although the possibilities for improved reception and priority capacity should be improved. According to TAL (large parts of

which are based on the reports presented by Secretary-General Annan's special adviser Brahimi after his visits to Iraq), elections are to take place at the latest in January 2005.

The UN Security Council will very probably adopt a new resolution before the handover of power on 30 June. This resolution is expected, among other things, to acknowledge the political process up to the general elections, to clarify the role of the UN in independent Iraq, and also needs to deal with the issue of the presence of international troops after 30 June.

With a de facto end of the occupation, it should be possible for Sweden to establish direct bilateral contacts with the Iraqi government, in the first place the Ministry of Planning and the Ministry of Finance as a supplement to the international donor coordination. In order to ensure Iraqi ownership, the contacts should include a dialogue on how Swedish assistance should be tailored to meet Iraq's priorities. Consideration should also be given to the prerequisites for a bilateral agreement with the Iraqi government when such exists.

6.2.5. Coordination with multilateral organisations and other donors.

The mandate and role of the UN is specified in Security Council resolutions 1483 and 1511. A special representative of the Secretary General has been appointed for coordination with the CPA, and with other donors and organisations.

A special mechanism for coordination of the international assistance has been jointly established by the UN and the World Bank, a so-called *International Reconstruction Fund Facility for Iraq*. The fund facility consists of two separate funds with a slightly differing construction. Coordination between the international donors and the Iraqi government should primarily take place within this body.

It is very important that an active dialogue takes place with the UN and the World Bank on the role of the Iraqi authorities in the arrangement of the undertakings by the facility. Sweden shall also strive through the fund facility's donor committee for effective donor coordination of undertakings and work to strengthen the Iraqi ownership in prioritisation and implementation of undertakings by IRRF's programme.

In contacts with the UN fund and other assistance to the UN development organisation, the importance should be particularly underlined of coordination between the different UN organisations and their activity in Iraq.

6.3. Starting points and guiding principles

6.3.1. Balance to be struck between humanitarian undertakings and development undertakings

Humanitarian undertakings are expected to continue at the same time as development undertakings are introduced to an increasing extent. Both a phasing-out of the humanitarian assistance, and increased development cooperation depend on an improvement in the security situation. Continued assistance to Iraq must be characterised by considerable *flexibility*. While it may difficult to reach certain areas with humanitarian undertakings, it may at the same time be possible to an increasing extent to pass over to development undertakings in other areas.

All undertakings are to be planned to make possible a phasing-out after three to five years.

6.3.2. Security

The security situation is crucial for the development of the country and for the continued assistance to Iraq, including the Swedish undertakings.

Resolution 1511 includes a mandate to set up a multinational force (“*under unified command*”) to undertake all necessary measures to contribute to maintain security and stability in Iraq. The future forms for a force of this kind, including further details in a future Security Council resolution are being discussed at present.

6.3.3. Promotion of peace and reconciliation

Iraq is characterised by religious, linguistic, ethnic and tribal diversity where these attachments do not necessarily coincide. The dimension a group or an individual chooses to emphasise in construction of identity can vary. In order to reduce the risk for conflict between different groups, assistance should promote activity that bridges clan loyalties and other ethnic and religious structures.

6.3.4. Especially vulnerable groups

The development in the recent period in Iraq has resulted in certain groups being particularly vulnerable. Conservative religious groups have actively manoeuvred in the political vacuum that exists in some parts of the country, which has led to a deterioration of women’s rights. In Iraq, women have previously had a stronger position than in many other countries in the region. It is particularly important to strive for the situation not to deteriorate. Development cooperation is to be planned and implemented so as to promote the rights of the Iraqi women and promote equal opportunities in society.

The Iraqi children were severely affected during the war and during the period of the system of sanctions. They are also very vulnerable in the existing security situation. Knowledge and application of the Children’s Convention needs to be strengthened.

6.3.5 Persons with Iraqi background in Sweden.

In Sweden there are more than 70,000 persons with an Iraqi background. We have already now seen an interest among these for being able to return to Iraq for a shorter or longer period to contribute to the development of the country. The *Governing Council* in Baghdad correspondingly views the diaspora as a resource to develop the country.

In order to promote the reconstruction of Iraq, it should be investigated how the Diaspora in Sweden could contribute to building up Iraq. The possibilities of assistance should be investigated.

6.4. Areas of cooperation

6.4.1. Humanitarian assistance

The Swedish humanitarian assistance is to be based on actual needs and controlled by the humanitarian imperative to save life and alleviate need. For over ten years, Sweden has been an important humanitarian donor to Iraq. Due to international

actors carrying out humanitarian undertakings in Iraq to a greater extent since 2003, Sweden's share of the humanitarian undertakings in Iraq has decreased.

The Swedish humanitarian assistance should continue to be mainly channelled through organisations with considerable experience of working in Iraq.

6.4.2. Democracy and human rights

Democratic governance

The Iraqi people have lived under a dictatorship for a long time with serious violations of human rights. A prerequisite for a free and democratic Iraq is the development of a representative form of government, a transparent and clear administration, a well-functioning market economy, an independent judiciary that takes care of the rights of the population, and an independent civil society that promotes popular participation and contributes to changing attitudes.

Some of the most acute issues for the development of a democratic society in Iraq are to restore security, to establish an Iraqi state governed by law and to reform the Iraqi legal system in accordance with international standards. Measures to reform the judicial system, including the police, must, in particular, include the guarantees for children's rights established in the Convention on the Rights of the Child, as well as those for the women's rights established in the Women's Convention, since children and women are particularly vulnerable groups in Iraqi society.

Another prioritised issue is to find forms for a process of reconciliation through a judicial procedure, a truth commission or similar, to deal with previous criminal actions.

An independent ombudsman function is very important to strengthen the internal control mechanisms. The human rights organisations of the developing civil society, not least the women's rights organisations, can play an important role here.

According to the so-called Baghdad agreement presented by the Governing Council, general elections will be held. The elections will be an important crossroads for Iraq's democratic development.

Assistance through the fund facility provides access to central fora for dialogue on human rights issues. Our undertakings should in this context focus on the Swedish core issues and Swedish competence.

The Swedish resource base in the form of persons with links to Iraq should also be used in both international and bilateral projects in the field of democracy and human rights. Sida should develop forms of cooperation and processes to make use of the knowledge of these persons on Swedish core issues together with their experiences and contacts in Iraq.

Media and culture

An independent and pluralist media sector is an important prerequisite for Iraq's democratic development. Laws and institutions to guarantee the freedom of expression and independence of the media are an important step in this

development. Improved security for journalists is important to promote a balanced coverage of the political development.

Local media with high public accessibility, in particular broadcasting media, that cooperate with locally active aid organisations are very important for assisting the public with information and communication services in the immediate rehabilitation phase.

Iraq's cultural heritage, both the material and the immaterial, provides a prerequisite for democratic and peaceful development. The cultural heritage plays an important role in the creation of identities and a local historical awareness and is therefore important for rebuilding of the Iraqi society. Iraq's modern history is also part of the country's cultural heritage and how this is dealt with can be important for the process of peace and reconciliation in the country.

Regional cooperation in the Middle East and North Africa

Sida should consider whether Iraq can be involved in regional programmes for the MENA-region in the spheres of human rights, culture and media.

6.4.3. Infrastructure

The needs are substantial in all areas of the infrastructure. The international reconstruction work in Iraq has already been started by the occupying coalition, which has started rehabilitation work primarily in water and sewerage, energy and the telecom sector. The reconstruction work in Iraq is expected to increase considerably in an improved security situation. Fast and tangible results and improvements in everyday life are important for the Iraqi people. The high unemployment is one of the greatest challenges in the transition period, pending the private business sector getting started and the creation of durable employment opportunities.

The Swedish business sector has had a presence in Iraq for decades, even in recent years within the framework of the then sanction rules, and has valuable experience of Iraq in a number of infrastructure areas. Swedish companies have leading edge competence in many of the UN/World Bank's most prioritised sectors for the reconstruction.

The experiences of the Swedish business sector and the knowledge of the exile Iraqis should be made use of in future reconstruction work in Iraq. Sida should therefore, working closely together with the Swedish resource base, including state promotion activities, develop instruments and forms of cooperation to enable different experiences, components and resources to be made use of and collaborate, in accordance with the development bill.

Assistance should consist of a multilateral undertaking channelled through the UN's and the World Bank's fund facility which should be complemented with bilateral undertakings within the sphere of the infrastructure. The strategic choice of sectors should in this case be based on areas where there are Swedish historical experiences, a clear Iraqi prioritisation and an assessment of other donor undertakings. The Swedish representative in the Facility's steering committee should continuously draw the attention of Swedish companies to the possibilities provided by the international coordination.

Consideration can be given to targeted employment creation undertakings for refurbishment of the local infrastructure in well-defined geographical area, which quickly produces visible results.

6.4.4. Other developments

An effective central bank is a prerequisite for an active monetary policy to secure the value of money and stimulating broad growth, and, by monitoring and regulation to ensure that private banks and other financial institutions provide forms for saving and credit for investments based on legal and fair principles. Assistance to the Iraqi central bank with Swedish competence and experience can be considered.

Since the fall of the Saddam regime, the prerequisites for civil society in Iraq have changed. After years of isolation there is a great need for international contacts and possibilities to benefit from experiences from other countries. At the same time, there are many people in Sweden with an Iraqi background who are well integrated in Swedish society and its democratic values and traditions. The prerequisites for increased collaboration between the Swedish and Iraqi civil society should be investigated.

6.5. The future development collaboration

Provided that the political situation in Iraq is normalised, Swedish development cooperation in Iraq is expected to be integrated into the collaboration with other countries in the region and with the forms for cooperation that exist there, contract-financed, technical cooperation, international courses, loans for developing countries, guarantees and other forms for regional cooperation.

6.6 Following up and phasing out of assistance undertakings

The Swedish undertakings are planned to continue for three to five years, which means that they are of a relatively temporary character while at the same time being of permanent importance for Iraq's opportunities for reconstruction. Assistance should also have a clear "exit-strategy", for instance on how suitable projects can continue without Swedish assistance.

The balance struck between the bilateral and multilateral undertakings may, in the light of the development of the political process and the security situation, need to be re-evaluated. An endeavour should be made for there to be regular consultation between Sida and the Government Offices.

Sida is also invited to submit an annual report to the Government Offices (the Ministry for Foreign Affairs) with an assessment of the development potential and an report on the assistance undertakings.

7. Budget framework and administration

7.1. Proposed budget framework

It is proposed that the framework for the Swedish development cooperation with Iraq during the period 2004-2006 total SEK 300-400 million including the humanitarian assistance.

7.2. Capacity for preparation and follow-up

7.2.1. The home authority

It is estimated that the implementation of the proposed focus will require a temporary mustering of force with a reinforcement during the strategy period equivalent to a total of two posts for three to five years to coordinate the assistance to Iraq, and for preparation and follow-up in the cooperation areas democracy and human rights, and the infrastructure respectively.

7.2.2. Field representation and official presence

It is anticipated that the proposed strategic focus of the development cooperation with a short-term character and cooperation mainly through multilateral actors can largely be carried out from Sweden with intensive travel. For the foreseeable future, it is not considered that there will be a need for field representation. Considerations on the level of ambition in dialogue issues can, however, affect the assessment of the need for field representation.

In the event of an increased presence of multilateral organisations on site in Iraq during a stable political development and/or increased Swedish bilateral undertakings, consideration should be given to an official Swedish presence.



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